



CONSUMER ALERT

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BE AWARE OF REFUND ANTICIPATION LOANS

Given the consumer protection concerns of Refund Anticipation Loans (RALs), the D.C. Department of Insurance, Securities and Banking (DISB) opposes the predatory interest rates associated with most RALs, and issued an advisory alerting consumers to the risks involved in obtaining a RAL.

The agency supports the following positions:

- DISB urges consumers to avoid high-rate RALs.
 - Consumers should electronically file income tax returns.
 - Consumers should request direct deposit to your checking or savings account.
- DISB encourages banks to refrain from making high-rate RALs.

WHAT IS A REFUND ANTICIPATION LOAN (RAL)?

A RAL is a loan borrowed against the amount of a consumer's anticipated income tax refund, and often includes high interest rates and fees. Tax return preparers sometimes advertise what they refer to as "Rapid Refund," "Fast Cash Refund," "Express Money," or "Instant Refund." These tempting offers get you your anticipated refund immediately or within a day or two. What many people do not realize is that there is a high price to pay and that what is being offered is actually a high-cost loan. If you don't receive your refund or if it is smaller than anticipated, you will have to repay the full loan.

WHY DISB IS CONCERNED

One of the most controversial aspects of RALS is the fact that they are often targeted to low-income workers who qualify for the Earned Income Tax Credit (EITC), a federal and, in many cases, state supported tax policy to support low-income working families.

DON'T PAY TO BORROW YOUR OWN MONEY

Don't give away your tax refund money that you worked hard to earn. Most taxpayers don't realize that they can have their refund in two weeks or less—even without receiving a costly RAL. To avoid the temptation of getting a RAL and to save money at tax time, follow these tips:

- If you have an urgent bill to pay, ask creditors for more time until the tax refund check comes from the Internal Revenue Service. Don't take on a new expensive debt to pay an old bill.
- File your tax return electronically and have your refund deposited directly into your bank account. This will speed up your refund. Some refunds will be deposited as few as 10 days.
- If you do not have a bank account, consider opening one.
- **Use a VITA Site.** Some free tax preparation programs called Volunteer Income Tax Assistance (VITA) sites can file taxes electronically, and if consumers have Internet access, they may be able to obtain free tax preparation and electronic filing at icanefile.org.

For more information, contact DISB at (202) 727-8000 or visit its Web site at www.disb.dc.gov.